

PRESS RELEASE**28 04 2016**

Profit from property management increased by 35 per cent to SEK 236 m and the property portfolio's value increased by SEK 524 m

THE REPORT IN BRIEF

First quarter (January – March)

- Rental revenue increased 17 per cent to SEK 614 (525) million and operating net increased to SEK 388 (333) million
- Profit from property management improved by 35 per cent and was SEK 236 (175) million, which corresponds to SEK 1.30 (0.96) per share
- Unrealised value changes in the property portfolio increased to SEK 524 (247) million, primarily due to lower yield requirements and improved future cash flows
- Profit for the period increased by 30 per cent to SEK 385 (296) million, corresponding to SEK 2.12 per share, despite falling long-term interest rates during the quarter resulting in unrealised negative value changes on interest rate swaps of SEK –302 (–45) million
- Net leasing amounted to SEK 8 (4) million

Comments on events during and after the quarter

- On 1 April, access was gained to the property called Isblocket in Hyllie, Malmö, with fully leased office space.
- A 20-year lease comprising 9,500 sq. m. was signed with Nobis for a new design hotel at the property, Blästern 14 in Vasastan/Hagastaden. The project will now enter the implementation stage.
- Non-strategic properties for a value of SEK 382 million were divested, which will lower geographic concentration to 64 municipalities once all of the properties have been vacated.

Comments from Biljana Pehrsson, CEO

The positive development experienced by Kungsleden in 2015 continued throughout the first quarter of 2016. This was evident in higher net leasing, particularly in our clusters, as well as significant growth in the value of our property portfolio.

Kungsleden entered 2016 with a revamped property portfolio and an organisation that is both more efficient and more decentralised. Now, we are implementing Kungleden's Flow, the major initiative from last year that focuses on our structure, culture and processes. All of this increases the efficiency and quality of our daily efforts. It is rewarding to see how well the organisation has adapted and that our numbers are moving in the right direction.

Rental revenue for the period increased by 17 per cent compared to the same period last year, which, among others, is attributable to increasing rental revenues in Stockholm and a larger property portfolio. Operating net increased to SEK 388 million, compared to SEK 333 million last year. Profit from property management improved by 35 per cent to SEK 236 million. Value changes on property portfolio amounted to SEK 524 million.

The value increase is primarily attributable to the new portfolio that we started acquiring in 2013. Falling yield requirements in the market and improved future cash flows contributed to the rise in property values during the quarter. During the last two years, Kungsleden has had unrealised value changes for a net amount of nearly SEK 2.4 billion, of which SEK 2 billion is attributable to our new properties.

Value-generating management via concentrated portfolio and local presence

During the first quarter, repositioning and streamlining of the property portfolio has continued in markets where there are good prospects for growth, rental demand and rents. We have divested non-strategic properties for a value of SEK 382 million, which further reduced our geographic distribution to 64 municipalities when taking into consideration properties that have not yet been vacated. Major progress has thus been achieved in our degree of concentration, when considering that, just three years ago, we owned properties in more than 140 municipalities.

At present, Kungsleden has an overall portfolio where the three metropolitan regions, Stockholm, Gothenburg and Malmö, plus Västerås, account for 77 per cent of the total portfolio value of just under SEK 28 billion. Stockholm accounts for 43 per cent of the property portfolio. The percentage of properties located in one of our eleven clusters has increased to 61 per cent, while the percentage of offices accounts from 64 per cent.

We now have a property portfolio consisting of higher quality holdings in healthy markets that can be managed much more efficiently. This enables us to engage in the kind of value-creating management that is in line with Kungsleden's vision. Skilled employees are an important prerequisite for generating value for our tenants and for us, as owners. It gives us a better understanding of our tenants and knowledge about the local market. Key individuals are our asset managers, who apply an overall approach when working with our important clusters. During the beginning of the year, we recruited three new asset managers to Gärdet-Frihamnen, Västra Kungsholmen-Hagastaden and Västberga in Stockholm, and to Högsbo in Gothenburg. We are also now testing the benefits of having our own employees as technicians at Kista and Östersund. Our intention with this is to form closer ties with our customers and become more cost effective.

Positive trend for leasing and rent levels at our clusters

New leasing has gone well during the first quarter of the year at SEK 56 million, which is a significant improvement compared to the same period last year. Major leases were signed in all regions. One of the biggest leases that was signed was the 20-year agreement with Nobis at Blästern 14 in Stockholm. Kungsleden and Nobis will be establishing a design hotel at this unique property. The project represents our first major development project and it will now enter the implementation stage. Notice of lease termination amounted to SEK 48 million for the period. Although that is a large amount, SEK 17 million pertains to notice from Tele2 at Kista, which was already known at the time when the properties were acquired. Efforts have been underway for quite some time to find alternative tenants. The amount for terminations, not including this item, is on a par with last year and net leasing was SEK 8 million.

Our cluster strategy is working, even when it comes to leasing. Net leasing for the portion of the property portfolio that belongs to one of our clusters was SEK 15 million, compared to SEK –7 million for holdings outside of our clusters. We can certainly benefit from applying lessons learned there to our properties that do not belong to a cluster.

For lease agreements that were renegotiated during the period, rent levels increased by 7 per cent on average.

Summing it all up, the year has gotten off to a great start. The rental market continues to be favourable, with falling vacancies and rising rents in our most important markets: Stockholm, Gothenburg, Malmö and Västerås. We continue prioritising new leasing and renegotiation of existing lease agreements, with a focus on value-generating management and development of our properties.

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This press release is available in English at www.kungsleden.se/press

Kungsleden AB (publ) discloses the information in this press release according to the Swedish Securities Markets Act and/or the Swedish Financial Trading Act. The information was provided for public release on 28 April 2016 at 7:00 a.m.

Kungsleden's business concept is to own, manage and improve commercial properties in growth regions in Sweden and to deliver attractive total returns. Kungsleden's strategies to create value are based on meeting the premises requirements of customers by managing, improving and developing properties and planning consents and by optimising the company's property portfolio. Kungsleden has been quoted on NASDAQ Stockholm since 1999.